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CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D.C. 20505

8 April 1974  
OCT No. 1326/74

MEMORANDUM

SUBJECT: The View From Indonesia

Indonesia's military leaders were badly shaken by the urban violence that broke out in Jakarta during Japanese Prime Minister Tanaka's visit in mid-January. They have closed ranks behind President Suharto to present a united front to critics of the regime, particularly students and intellectuals. The top commanders fear that evidence of indecision by the government could lead to a revival of Communist influence. At the same time, many civilian and military officials have doubts about present government policies, and renewed signs of social tension would undoubtedly revive questioning of Suharto's leadership.

Clouds on the Horizon

Expressions of increased concern over the course of the government during the latter half of 1972 were accompanied by student protests and rumors of political rivalry among top generals close to Suharto. Criticism focused on development programs and economic planning. Although the First Five-Year Plan (which ends in April) has achieved many statistical goals, such as increased production and exports, critics charge that accomplishments have fallen far short of social requirements. The average Indonesian has benefited little. Agricultural aid aimed at the relatively well-to-do farmer, rising food costs, and a mismanaged distribution system have left many worse off than before. Greater availability of consumer goods has

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only emphasized the conspicuous consumption of the military elite.

President Suharto's actions since the January unrest have been directed more against the critics than against the problems. He evidently believes that government permissiveness encouraged political provocateurs and mischievous students to make trouble. He has reacted by clamping down on dissent--arresting critics, closing newspapers, and prohibiting further discussion of "socially divisive" issues. Suharto has also moved to quell criticism from within his government by asserting a firmer personal grip on the military and civilian bureaucracies. He has reshuffled personnel to ensure that key positions are held by men personally loyal to him. As part of this reorganization, General Sumitro, long considered the second most powerful man in the regime, has resigned and the positions of his supporters are in jeopardy. Sumitro's departure has not completely cleared the air. Not only is there no longer a recognized heir apparent to Suharto, but also speculation about Sumitro's possible political ambitions has intensified.

Both critics and supporters of Suharto are hanging fire at present awaiting a government reorganization promised for April. Although the exact nature of the planned changes is unclear, various figures in the regime have hinted that it will affect both the civilian bureaucracy and the military establishment. President Suharto has promised that the Second Five-Year Plan will concentrate on projects of benefit to the people and will make the nation less dependent on foreign assistance and advice. He has already announced some essentially cosmetic changes designed to meet criticism about the high living of government officials. Student leaders have stated their intention to resume public protests if the promised changes do not meet their demands.

#### The Ugly Japanese and Other Foreigners

Much of the public protest has centered on anti-Japanese feelings. While it is true that Indonesians generally find Japanese business practices more objectionable than those of other foreigners, in a broader

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context the Japanese have come to symbolize a whole variety of economic grievances. Many Indonesian leaders believe that the country's natural resources make it an object for exploitation by industrial states. The Japanese attract the most attention because the Jakarta skyline has become crowded with garish neon signs advertising Japanese goods and also because Japanese tourists and businessmen travel in conspicuous, well-knit groups that tend to remain isolated from Indonesian society.

Critics charge that foreign economic interests and Western-trained advisers have too much influence in determining national policy. Important government officials, such as General Ibnu Sutowo who heads Pertamina--the national oil monopoly--also subscribe to this view. It is likely that Jakarta will begin displaying a more independent and self-confident posture in its dealings with foreign governments and businesses. Ibnu argues, with some reason, that Indonesia can finance more of its own development because of its vastly increased oil revenues. Ibnu and others charge that Indonesia's present problems are in part the result of poor planning by its stable of Western-trained technocrats, and he would like to see their power curtailed. There has been some speculation that Suharto's reorganization of his government in April will either remove some technocrats or restrict their authority.

Even if Suharto decides to sacrifice some of the technocrats in the interests of "Indonesianizing" his development programs, he will not have solved all of his problems. An important ingredient in the recent resurgence of anti-foreign sentiment was resentment against the predominance of Chinese-Indonesian businessmen in the economy and their cozy relationships with both military leaders and foreign investors. Anti-Chinese sentiment is never far from the surface in Indonesian society, but students and other critics have managed to create in the public mind the image of an unholy alliance among Chinese businessmen, foreign investors, and corrupt generals and to make this alliance the scapegoat for much that is wrong in present-day society. Recent changes in foreign investment regulations are aimed at reducing the influence of ethnic Chinese. Foreign investors, however, may now have difficulty finding local partners with sufficient capital to participate in joint ventures.

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Ambitions for Regional Leadership

Jakarta is pursuing an active regional foreign policy with emphasis on the Association of Southeast Asian Nations (ASEAN)--Malaysia, Singapore, the Philippines, Thailand and Indonesia. Regional cooperation has been expanded to include mutual consultations on intelligence matters, particularly regarding overseas Chinese; on foreign policy approaches both to Communist nations and within Third World forums; and on economic issues. In addition, Jakarta has tried to persuade its ASEAN colleagues to develop a plan for mutual defense, including joint training exercises.

As part of its desire to be regarded as the elder brother among Southeast Asian nations, Indonesia has sought support from important Western states, including the US and Australia. It considers its selection to the ICCS in Vietnam and the Middle East peacekeeping force to be world recognition of Jakarta's importance as a responsible and stable power. Although Indonesia's Southeast Asian colleagues occasionally chafe at its ambitions for leadership, they also value Jakarta as a regional mediator. Indonesia's foreign minister Adam Malik, for example, has been active in trying to promote a solution to the continuing friction between Malaysia and the Philippines that arose out of the Muslim insurgency in the southern Philippines.

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### OFFICIAL ROUTING SLIP

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3	Kesinger Sabbagh		
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ACTION	DIRECT REPLY	PREPARE REPLY	
APPROVAL	DISPATCH	RECOMMENDATION	
COMMENT	FILE	RETURN	
CONCURRENCE	INFORMATION	SIGNATURE	

Remarks:

There is a copy of a memo I sent  
to the DCI on Sat. It will get sent  
only to Dis K & S.  
JH

FOLD HERE TO RETURN TO SENDER

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TRANSMITTAL SLIP		DATE
TO:		
ROOM NO.	BUILDING	
REMARKS:  This was requested by Foster Collins at Treasury, for Secretary Schultz' trip to SEA next week.  2 memos attached 1 ey each. — 3 eys each given to [redacted]		
FROM: EAPD		
ROOM NO.	BUILDING	EXTENSION

FORM NO. 241  
1 FEB 55  
REPLACES FORM 36-8  
WHICH MAY BE USED.

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